

# PERAC Pension News

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## PERAC HELD ITS 10<sup>TH</sup> EMERGING ISSUES FORUM

By Natacha Dunker  
Communications Director

PERAC hosted its Tenth Emerging Issues Forum on September 18, 2014 at the College of the Holy Cross in Worcester, Massachusetts with a jam-packed agenda. Over 275 individuals attended the Forum making this one of our largest events to date. Board members who attended earned three hours of educational credit.



PERAC's Executive Director Joseph Connarton opened the day's event welcoming State Treasurer and former gubernatorial candidate Steve Grossman. Treasurer Grossman gave well-received opening remarks covering a wide range of topics ranging from pension reform to the state's PRIT fund. He closed his remarks thanking the retirement community for the support and professionalism he received throughout his time in office.

A Roundtable discussion followed Treasurer Grossman giving attendees a deeper understanding of the Governmental Accounting Standards Board (GASB) Statements 67 and 68. The Statements, published in 2012, will affect how local governments report pension liabilities and expenses. Panelists in this session were split into two groups and went into

a detailed discussion on how this will affect retirement boards in Massachusetts. Jim Lamenzo, PERAC's State Actuary, participated in this presentation. The first session also included Bill Connolly of Segal, David Driscoll of Buck Consultants and Larry Stone of Stone Consulting.

Mr. Stone started the morning with a Why, What, When and Who of GASB 67 and 68 offering those unfamiliar with the statements a general overview of the new reporting guidelines. Mr. Lamenzo followed him with more details on dates and timing. Mr. Connolly offered insight on coordinating plan and sponsor statements and Mr. Driscoll finished up the first block of the morning session with information on cost-sharing plans and their treatment under GASB 67 and 68.

*(Continued on page 4)*

## PAUL LALIBERTE RETIRES FROM PERAC



Agency says "So long" to its long-time Information Technology Director

Paul Laliberte, PERAC's long-serving, outstanding Director of Information

Technology has retired from the agency after 16 years. Paul initially joined PERAC in 1997, staying until 1998, and subsequently he returned to the agency in 1999. He is a graduate of the University of Southern Maine with a B.A. in Mathematics.

Prior to joining PERAC, Paul served in several positions with over 20 years of diverse Information Technology Management experience in the Financial and Health Care sectors. He held various technical and management positions from 1972 to 1990 at Casco Northern Bank, a subsidiary of the then Bank of Boston. He also served as IT Manager at York Hospital in Maine from 1991 to 1997.

Paul resides in Biddeford, Maine – and commuted from his Maine home daily to PERAC for almost his entire 16-year tenure at the agency. Clearly, besides his obvious technical proficiency, Paul

exhibited almost unparalleled endurance in being able to negotiate such a long drive daily. Paul's colleagues marveled at his incredible ability to function at such a high capacity for so long having endured a daily commute of such inordinate length.

PERAC's Executive Director Joseph E. Connarton saluted Paul Laliberte on his retirement:

"Paul Laliberte is another in the line of PERAC's long-time 'super performers' who have left over the past 2 or 3 years or are now leaving the agency. It seems that every year or so now we are saying farewell to an individual who for many years has helped form the backbone of the agency with their high performance, exceptional dedication and force of personality. Paul is certainly one of them.

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## PERAC WINS GROUP CLASSIFICATION CASE

By Judith Corrigan  
Deputy General Counsel / Managing Attorney

On August 7, 2014, the Massachusetts Appeals Court issued a decision in the matter of PERAC v. David Madden, et al., 13-P-1587. This case involved group classification, and whether David Madden (“Mr. Madden”) should be retired as a Fire Chief in Group 4, or as a Mayor in Group 1 pursuant to G. L. c. 32, § 3(2)(g). PERAC maintained that Mr. Madden, having last performed the duties of Mayor prior to his retirement, should be retired in Group 1, and the Appeals Court agreed.

Mr. Madden had served as a Weymouth firefighter, and later was appointed the Fire Chief of Weymouth. While still serving as Fire Chief, he ran for Mayor, and was elected as the first Mayor of Weymouth. He ultimately served for two terms. Pursuant to Civil Service law, G.L. c. 31, § 37, he took a leave of absence from his position as Fire Chief when he became Mayor. Under the terms of that statute, he was entitled to be reinstated to the position of Fire Chief when his term as Mayor concluded.

As his second term as Mayor came to an end, Mr. Madden sought reinstatement to the position of Fire Chief. However, he never actually planned to serve as Fire Chief again. Under an agreement between Mr. Madden, the new Mayor-elect, and the permanent Fire Chief of Weymouth (Mr. Madden had appointed Robert Leary as permanent fire chief at some point during his term as Mayor), Fire Chief Leary took a two day demotion, and Mr. Madden purported to have resumed the position of Fire Chief, although his return to the job consisted only of an unpaid leave of absence from January 2 to January 4, 2008. He then filed for superannuation retirement, seeking a Group 4 classification as Fire Chief. Because he was only 53 years of age at the time, this made a tremendous difference in his retirement allowance.

Mr. Madden had in essence gone from an 8 year leave of absence directly to a 2 day leave of absence. He never performed the duties of Fire Chief after leaving his mayoral post. In addition, Mr. Madden had also been granted creditable service for the entire year of 2008 for the one day he had served as Mayor, under the now repealed “Year for a Day” rule which permitted elected officials to be credited with one year of service in any year in which they served one day or more in an elective office.

The Weymouth Retirement Board approved Mr. Madden’s retirement allowance calculated in Group 4, but PERAC reversed that decision, finding he should be retired in Group 1, since the last job duties he performed were those of Mayor. A Magistrate of

the Division of Administrative Law Appeals agreed with PERAC, but CRAB reversed, relying heavily on the language of the Civil Service statute. The Superior Court reversed CRAB, finding as a matter of substance that Mr. Madden “never served as Fire Chief before his retirement.” Mr. Madden appealed that decision to the Massachusetts Appeals Court.

The Appeals Court concluded:

- ▶ A person voluntarily assuming a position of elevated authority but diminished retirement benefits must abide by that choice. *Maddocks v. Contributory Retirement Appeal Board*, 369 Mass. 488, 494-495 (1976). It remained possible for Madden in early 2008 to perform the duties of fire chief for some limited reasonable period. Apparently such an arrangement was not feasible or negotiable. That outcome does not create an exception from the governing law.
- ▶ Like the Superior Court before it, the Appeals Court found that it owed no deference to CRAB’s interpretation of the Civil Service law, and further stated at Footnote 1:

We note also that CRAB viewed itself as “constrained” to treat the brief formality of reinstatement as valid occupation of the chief’s position. That unenthusiastic endorsement further weakens its administrative view.

Mr. Madden did not appeal this decision, and it is now final. This decision was issued pursuant to Appeals Court Rule 1:28, and such decisions are primarily addressed to the parties of a case. In any event, a circumstance such as this one is unlikely to occur again in light of changes regarding group classification brought about by Chapter 176 of the Acts of 2011.



## 2014 COMMONWEALTH VALUATION STUDY

By James Lamenzo  
Actuary

The Commonwealth Actuarial Valuation Report presents the results of the actuarial valuation of the pension benefits that are the obligation of the Commonwealth of Massachusetts. The Report was released by PERAC on September 23, 2014. The four components of the report are the State Employees' Retirement System, the Massachusetts Teachers' Retirement System, Boston Teachers, and the Cost of Living Allowance reimbursements to local systems. Two charts from the January 1, 2014 Commonwealth Actuarial Valuation Report are presented.

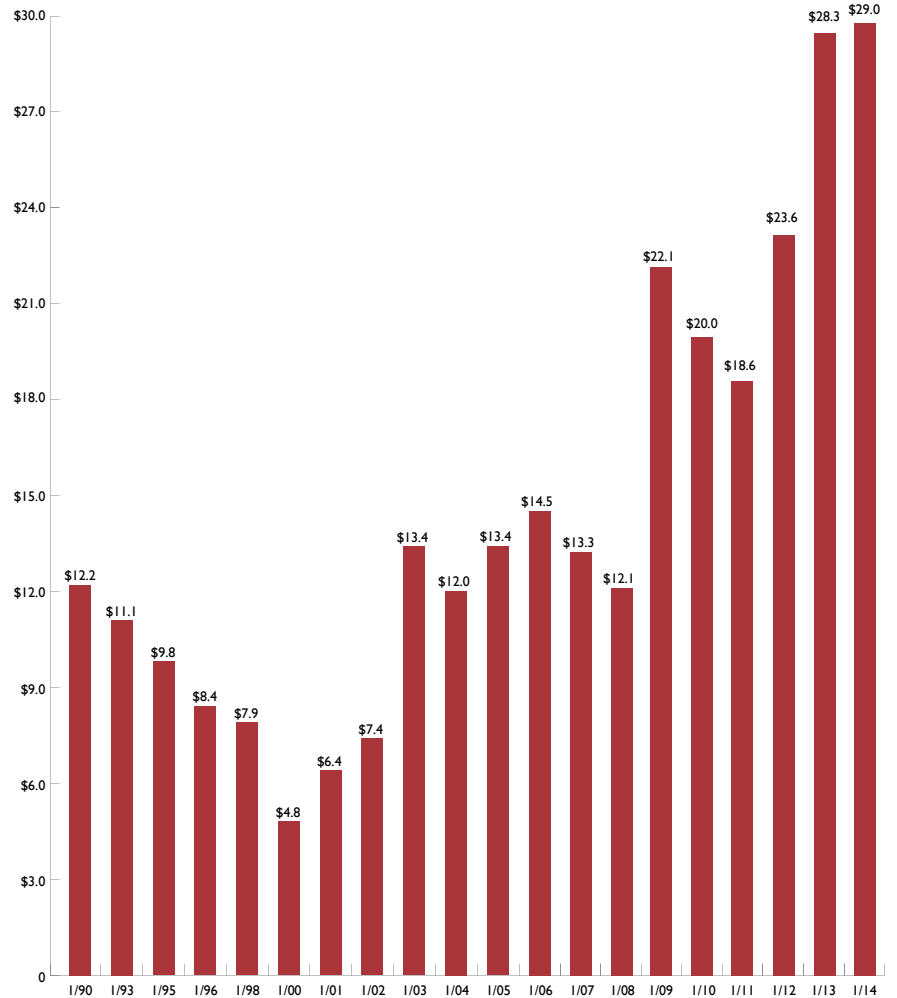
The bar chart shows the unfunded actuarial liability (UAL) since 1990. The UAL represents the actuarial accrued liability less the value of plan assets. As of January 1, 2014, the actuarial liability was \$74.9 billion and the actuarial value of plan assets was \$45.9 billion.

It is important to note that plan assets have grown faster than plan liabilities since 1990. As of January 1, 1990, the actuarial accrued liability was approximately \$20.0 billion and assets of \$7.8 billion resulted in a \$12.2 billion UAL. Since 1990, the actuarial liability has grown by about 3.7 times while assets have grown by about 5.9 times.

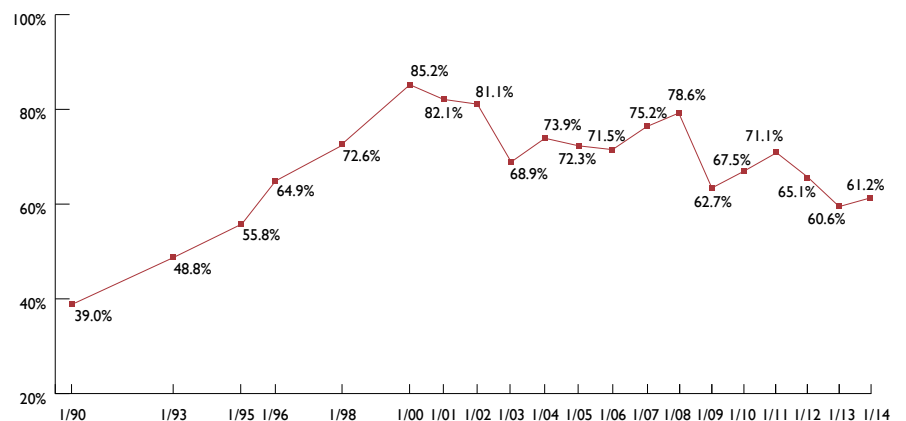
For this reason, the funded ratio represents a better measure of the plan's funded progress. The funded ratio equals the actuarial value of plan assets divided by the actuarial accrued liability. When the funded ratio reaches 100%, a system is fully funded. The funded ratio chart shows the progress made by the Commonwealth in the past 24 years, despite the 2008 setback. The current funded ratio is 61.2%.

The 2014 Commonwealth Actuarial Valuation Report can be accessed on PERAC's Website at: <http://www.mass.gov/perac/valuation/2014commonwealth.pdf>

COMMONWEALTH UNFUNDED LIABILITY  
(in billions of dollars)



COMMONWEALTH FUNDED RATIO



After a brief break, the second session with panelists Linda Bournival of KMS Actuaries, Frank Biron of Melanson Heath and Brock Romano of KPMG got underway.

Ms. Bournival and Mr. Biron did a joint presentation on planning, preparation and collaboration for GASB 67 and 68 implementation, going over issues that may arise, collaboration strategies for best outcomes as well as some “best practices” examples. Mr. Romano finished out the session by highlighting audit implications of the standards with regard to census data testing. Based on feedback received, attendees left the morning session with a much better understanding of these statements and how their retirement systems may be affected.

Secretary of State William Francis Galvin was the Keynote Speaker. His remarks discussed pensions from a securities point of view. The Securities Division within the Secretary of State office oversees broker-dealers and agents, investment advisers and investment adviser representatives. All firms and individuals offering and selling securities or investment advice on securities for compensation in Massachusetts must register with the division.



*PERAC's Tenth Year of Emerging Issues Forum*

After Secretary Galvin's remarks participants broke for lunch followed by the afternoon session on Understanding Investor Adviser Registration and Private Fund Due Diligence. Panelists included attorneys Daren Domina and Heather Wyckoff from Haynes and Boone, Michael Garrity from the Boston office of the Securities and Exchange Commission, and Derek Moitoso, PERAC's Compliance Counsel. Attendee feedback requested that we revisit this topic in the future by breaking it up into smaller sections.

We appreciate all of the feedback received on the Forum. The participation of board members and administrators make this event a success every year and we will use your feedback to build upon the planning of the next ten years.



*Steve Grossman, Treasurer*



*William Galvin, Secretary of State*



*Commissioner John Langan, James Lamenzo*





Hogan Conference Center at Holy Cross



Larry Stone, David Driscoll, William Connolly



Linda Bournival, KMS Actuaries



James Lamenza, PERAC



Brock Romano, KPMG



Frank Biron, Melanson Heath



Daren Domina, Michael E. Garrity, Heather Wyckoff



PERAC hopes to see you there next year!



Joe Connarton, PERAC

WE APPRECIATE ALL THE FEEDBACK RECEIVED ON THE FORUM.  
THE PARTICIPATION OF BOARD MEMBERS AND ADMINISTRATORS  
MAKE THIS EVENT A SUCCESS EVERY YEAR!



## COMMISSION APPROVES 2015-2016 LEGISLATIVE AGENDA One Bill Filed for the New Legislative Session

*By Michael DeVito  
Director of Strategic Planning, Management and Public Affairs*

The Public Employee Retirement Administration Commission met on October 17, 2014 and finalized its legislative agenda for the 2015-2016 legislative session. One bill was approved for filing as an official bill filing to be submitted prior to the agency filing deadline of November 5, 2014. This bill is a refile of a bill filed for the 2013-2014 legislative session which was sent to a study. In addition, two additional proposals were referred to PERAC's Legislative Subcommittee for further deliberation.

The bill filed is entitled: AN ACT AUTHORIZING THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION TO HOLD HEARINGS. It was known as H. 15 during the 2013-2014 legislative session.

Section 9 of Chapter 36 of the Acts of 2012 [now inserted into the Massachusetts General Laws as Chapter 32, Section 15(7)] states that, "In no event shall any member be entitled to a retirement allowance under sections 1 to 28 inclusive, which is based upon a salary that was intentionally concealed from or intentionally misreported to the commonwealth, or any political subdivision, district or authority of the commonwealth, as determined by the commission."

It further states that, "If a member intentionally concealed compensation from or intentionally misreported compensation

to an entity to which the member was required to report the compensation, even if the reporting was not required for purposes of calculating the member's retirement allowance, the member's retirement allowance shall be based only upon the regular compensation actually reported to that entity or the amount reported to the board, whichever is lower."

The Commission feels that it is important that its authority to conduct an appropriate process relative to this legislative mandate be clearly specified in statute to obviate any misconceptions regarding its role and authority in these matters. The bill spells out PERAC's ability to conduct hearings and investigations related to Chapter 32, Section 15(7) and to provide guidance related to said matters.

**The bill spells out  
PERAC's ability  
to conduct hearings  
and investigations  
related to Chapter  
32, Section 15(7)**

It authorizes and directs the Commission in such cases to conduct a hearing and allocates to the Commission the authority to take evidence, subpoena witnesses, administer oaths and examine such parts of the books and records of the parties to a proceeding as they relate to the questions in dispute. It also provides for the payment of fees to witnesses at such hearings which shall be the same as for

witnesses before the courts in civil actions, and shall be paid from the operating fund of the commission.

This bill was submitted to the Clerk of the House of Representatives prior to November 5, 2014.



## PERAC VISITED BY CHINESE DELEGATION

### Zhejiang Province executives meet with PERAC staff to discuss our pension system

On August 22, 2014 a delegation of about 23 senior officials from Zhejiang Province in southeast China visited PERAC to discuss how Massachusetts' pension system works. A representative of the province had contacted PERAC previously requesting the visit and a presentation on several aspects of the Massachusetts pension system.



A senior PERAC delegation headed by Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, Deputy Director John Parsons and James Lamenza, PERAC's Actuary who spoke about Actuarial Basics provided presentations to the delegation and entertained questions from the Zhejiang officials.

Among their topics, Mr. Connarton spoke about the mission, history and management structure of PERAC and provided an overview of its functions and responsibilities; Mr. Martin spoke about the concept of "fiduciary duty" and the structure of the

benefit system; and, Mr. Parsons spoke about the agency's role in regulatory oversight of the activities of the state's 105 retirement systems.

Mr. Connarton commented on the visit after the meeting:

We were pleased to welcome the distinguished delegation from Zhejiang Province, China during their fact-finding mission in Massachusetts. As part of our preparations we contacted the Massachusetts Office of International Trade and Industry, a sister ANF agency with extensive experience in interactions with foreign dignitaries.

While in the area, the Chinese delegation also visited the State House and Boston City Hall as part of their itinerary. China and its provinces are evidently in the formative stages of reassessing their pension systems as the nation moves to a more market-based economy. We were pleased to be able to provide them with presentations on how the Massachusetts pension system functions and also with some written materials they could take with them upon their return to China.

It was a very enjoyable and rewarding experience for PERAC's staff and hopefully the Zhejiang delegation left Massachusetts with some helpful suggestions on how a well-functioning pension system operates.



## PERAC INTRODUCES THE ELECTRONIC TRANSMISSION OF DOCUMENTS

By Kate Hogan  
Manager of Medical Services

The Public Employee Retirement Administration Commission (PERAC) is pleased to announce the advent of Secure Electronic Document Transmission. This new system allows participating retirement boards to securely transmit files for Regional Medical Panels, Disability Transmittal Documents and other secure files via a secure, encrypted electronic process.

PERAC's Disability, Legal, Information Technology and Communication Units worked with Retirement Board staff to research and test many available methods to provide a secure environment for transmitting Electronic Documents.

PERAC tested the "SFED" (Secure File and E-Mail Document) application with two of our largest retirement boards, the State Retirement Board and the Boston Retirement Board. Over the course of our testing we resolved many issues and developed a procedure that worked with this application and streamlined the processing of the documents for both PERAC and the retirement systems.

The current software application being used to transmit our documents electronically is called "Interchange". Interchange is a Commonwealth of Mass. software application that will allow us to securely transmit and receive electronic documents.

As a result of the success of the testing, PERAC has rolled out our Secure Electronic Document Process Training using the Interchange product to the remaining retirement systems. Due to the importance of security of information, any retirement system that wishes to submit documents electronically is required to attend a training session.

The training sessions cover confidentiality, the protection of personal information, the security of electronically transmitted information, the basics of electronic document processing, preparation of medical documents and PERAC's protocol.

Training sessions for this new process were held in August at Massasoit Community College Conference Center, Middlesex Retirement Board, Worcester Public

Library, Springfield Retirement Board and at the PERAC training room in Somerville.

By the end of August, fifty-six Retirement Boards attended the training sessions, with ninety-four retirement board staff members. Eleven Retirement Boards and eighteen staff members are currently participating in the new system and the feedback has been extremely positive. The users are finding the system user friendly and efficient.

Upon request, PERAC will provide additional training sessions for any retirement boards and staff who were unable to attend the sessions in August.



## PAUL LALIBERTE RETIRES FROM PERAC *(continued from page 1)*

While he always has preferred to stay in the background, Paul's implementation of the IT goals of the agency have always helped place it at the forefront of technology while helping the agency meet its statutory mandates. Behind every good agency is a superior information technology operation. PERAC has enjoyed one of the best in State Government for all the years of Paul's tenure.

Paul sustained the highest standards in maintaining and upgrading our capabilities resulting in a superior ability to efficiently process information, communicate with our constituencies and generally operate effectively at the highest levels of performance. I know that the Commission members and the entire staff join with me in wishing Paul

and his family the very best in retirement. Paul, we sincerely appreciate your many years of dedicated, selfless and outstanding service to PERAC and the Commonwealth of Massachusetts."

Michael DeVito, PERAC's Director of Public Affairs who acted as Paul's supervisor and as he notes, "teammate" for the past 7 years had this to say about Paul Laliberte at the July, 2014 Commission meeting:

"It has been a privilege for me to work with Paul for the past seven years. Paul exemplifies all the best in government: dedication, professionalism, expertise, teamwork. And in addition, Paul brought much more to the table. It will be difficult to think of PERAC without Paul's always smiling face, great

sense of humor and just plain wonderful demeanor as part of our team.

So I look at Paul's retirement with very mixed feelings. A sense of appreciation for all of his efforts – yet, a sense of loss since he won't be with us after August 15.

A sense of happiness for him – that he can reap the rewards of his long years of hard work – coupled with sadness that we will not be able to continue to share his happiness to the same extent in the future.

But I thank you Paul, for everything that you have done for us here at PERAC and wish you and your family all the very best of health and happiness in the future."



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